

THE DEVELOPMENT IMPACTS OF PROGRAM FOOD AID:
A SYNTHESIS OF DONOR FINDINGS AND
CURRENT TRENDS AND STRATEGIES

A.I.D. PROGRAM EVALUATION DISCUSSION PAPER NO. 30
(Document Order No. PN-AAX-239)

Prepared for the February 1990 Meeting of the
Expert Group on Evaluation of the Development Assistance Committee,
Organization for Economic Cooperation and Development

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U.S. Agency for International Development

June 1990

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FOREWORD

In 1982, the Development Assistance Committee of the Organization for Economic Cooperation and Development (DAC/OECD) established an Expert Group on Aid Evaluation to improve donor evaluation methods and practices; to strengthen donor coordination, standardization, and joint efforts in evaluation; to promote and support the evaluation capabilities of developing countries; and to contribute to aid effectiveness by synthesizing from donor evaluation experiences operational lessons for improving project and program design and implementation.

With regard to the last objective, the DAC Expert Group on Aid Evaluation has in recent years produced various reviews of the effectiveness of donor approaches in priority areas of health care, program sustainability, and technical cooperation, asking the fundamental question, What, in the conduct of development interventions, works, what does not work, and why? A.I.D.'s Center for Development Information and Evaluation (CDIE) has found such syntheses of mutual donor experiences to be valuable in providing a broader basis for assessing development intervention than that provided by a review of A.I.D. experience alone. Insights from such studies can contribute to improving the quality of development assistance and to promoting greater harmony among donor operations and practices.

Recently, CDIE staff prepared two reviews of donor experiences for the DAC meetings in February 1990: *The Development Impacts of Program Food Aid: A Synthesis of Donor Findings and Current Trends and Strategies* and *Development Finance Institutions: A Discussion of Donor Experience*. The reports are syntheses

based on evaluations of program food aid and of development finance institutions carried out by donors, including A.I.D., and on assessments by other development professionals. Because the reports present a compendium of donor experiences in these areas and highlight common donor findings and lessons, they have relevance to a broad audience of program and project managers in both A.I.D. and the wider donor community.

To broaden the awareness of the development community on the valuable lessons learned from these reviews, CDIE is publishing the DAC papers under its Program Evaluation Discussion Paper series. CDIE wishes to express its sincere thanks to all members of the DAC who supplied evaluation reports for the reviews.

This paper on food aid examines recent donor findings on the impacts of program food aid in recipient countries during the 1980s and the evolution of donor attempts to make program food aid serve development and hunger alleviation goals. In this context, the paper reviews the effectiveness of donor-coordinated efforts that feature the establishment and use of donor common funds for promoting food security in recipient countries. The findings present several valuable lessons for donor-coordinated efforts related to food security and hunger alleviation that are of relevance to all donors with food aid programs.

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June 1990

SUMMARY

Evaluations of donor food aid programs in the 1970s and 1980s have revealed that the principal impact of these programs is on a macroeconomic level, in the form of balance of payments and budgetary support to recipient governments. While budgetary support is often critical to debtor governments, its development impact cannot be assumed unless those resources are used in accord with careful planning. Donors have also come to realize that unless program food aid is provided with an awareness of the food and agriculture policies of the recipient government, donors will not realize their objective -- alleviation of hunger. Instead a pattern of food aid dependency can be perpetuated.

These findings have led donors to attempt to influence recipient governments to use local currency generations for projects that improve the agricultural sector. Donors have also increased the policy content of negotiations to encourage reforms in food and agriculture policies that have in part been responsible for creating the food shortages. But irrespective of some notable

achievements, the effectiveness of this approach has in general been hampered by the limited managerial and financial resources available when only one donor agency is involved, as well as by the complexity of food security issues.

In response to the limitations of the single-donor approach, multidonor coordinated food aid programs have evolved and donor common funds have been established. The World Food Programme has taken on a major role in coordinating the negotiation and management of these programs, which are focused primarily on the implementation of food and agriculture policy reforms. Evaluations of donor coordinated food aid programs in several Sub-Saharan African nations indicate that this approach may offer the most promising means of solving persistent problems of hunger and food insecurity in recipient countries.

A set of related lessons has been learned from evaluations of donor coordinated efforts. First, to reach a food security goal, donors and recipient governments must negotiate a set of coordinated and mutually supportive strategies for the use of donor common funds. Second, negotiation efforts must be supported by multiyear commitments of donor support. Finally, before appropriate strategies can be devised, donors and the recipient government must perform a joint and unbiased analysis of the underlying causes that have promoted a situation of food insecurity in the recipient country.

Donors have expressed renewed interest in using program food aid to address hunger issues, particularly to prevent increases in the incidence of hunger during periods in which recipient countries undergo economic stabilization and structural adjustment programs. However, food aid specialists believe that the effective use of food aid for this purpose requires an analysis, at the planning stages of such programs, of the likely vulnerable population groups.

GLOSSARY

A.I.D. - U. S. Agency for International Development

CIDA - Canadian International Donor Agency

CSA - Commissariat a la Securite Alimentaire (Food Security Commission)

EEC - European Economic Community

IMF - International Monetary Fund

FAO - Food and Agriculture Organization

PL - Public Law

ODA - Overseas Development Administration (a U.K. development

agency)

OPAM - Malian Grain Marketing Board (Malian Office for Agricultural Products)

PVO - private voluntary organization

UMR - Usual Marketing Requirements, an international agreement for determining levels of food aid for recipient countries

1. INTRODUCTION

Using food aid more strategically to address persistent problems of hunger and food insecurity has perhaps never been more important. Recent food aid projections have concluded that to meet market needs throughout the 1990s, current yearly levels of about 10 million metric tons of food aid will have to be doubled (National Research Council 1989). Sub-Saharan Africa will continue to have the greatest need for food aid in the 1990s as per capita agricultural production levels persistently decline and population rates continue to increase (DAC 1989). These facts beg the question of why, barring the many unforeseen needs for emergency food aid brought on by such incidents as conflict, drought, and flooding, do so many developing countries still require program food aid to help fill the gap between domestic availability of food and basic food consumption requirements.

International thought on food aid has clearly changed from earlier notions that food aid can, without effort, be used as a dual-purpose tool to reduce donor food surpluses and to alleviate hunger in food deficit nations. In general, donors gave little thought and programming effort to how food aid could effectively achieve either development or humanitarian goals related to hunger (Hopkins 1987). Programming for food aid was largely separate from all other forms of donor assistance.

The past decade, however, witnessed a rapid evolution in the awareness of the potential of food aid to help solve persistent problems of food insecurity, and in the uses of food aid to increase both micro- and macro-level development impacts. However, controversies and unanswered questions still abound on how this resource can be packaged and used most effectively in order to decrease the actual incidence of hunger and malnutrition and to address the underlying causes that continue to promote the need for food aid.

This paper synthesizes some of the most recent strategies surrounding the use of program food aid during the 1980s, and assesses their effectiveness to date in achieving development objectives. It is based on a review of documents, articles, and evaluations by government and nongovernment international development

professionals concerned with food aid. The issues covered include recent evaluation findings on (1) the development impacts of program food aid, (2) food aid as a negotiating tool to promote agriculture and rural development, (3) the effectiveness of donor-coordinated program food aid and donor common funds, and (4) current challenges to achieving food security goals.

Although the focus of this report is on program rather than on project food aid, the distinction is becoming increasingly artificial as the uses to which either category of food aid are put have begun to overlap. Now both forms of food aid are beginning to be packaged in comprehensive programs along with financial assistance and other development resources to address overarching development goals. However, the totality of issues that fall under program, project, and emergency food aid is enormous in scope. Therefore, this paper concentrates on issues related to emerging uses of program food aid based on the reported experiences of the U.S. Agency for International Development (A.I.D.), the Canadian International Development Agency (CIDA), the European Economic Community (EEC), the Australian Development Assistance Bureau, and the World Food Programme.

2. DISTINCTIONS BETWEEN PROJECT AND PROGRAM FOOD AID

Program food aid consists of food commodities that are either provided through a grant to the recipient country government or sold under a long-term loan agreement with low interest rates. In either case, the food is then sold on local markets to consumers, which generates a great deal of local currency for the government. While the rationale for all forms of food aid is to help alleviate hunger, the purpose of program food aid is to close the gap between domestic food availability and consumer food needs.

Project food aid is always provided as a donation to needy nations with severe financial and hunger problems. The food commodities are targeted to specific consumer groups or specific regions within the recipient country under supplementary feeding programs, maternal and infant care projects, or food-for-work projects. In general, the food is not sold to consumers as it is under program food aid. However, there is a growing trend to sell a small portion of project food aid on the local markets as a means of paying for internal delivery costs or the implementation costs of associated food-for-work development projects. This trend is referred to as the monetization of project food aid. Food-for-work projects and feeding programs are usually administered by nonprofit voluntary agencies (PVOs).

3. THE IMPACTS OF PROGRAM FOOD AID: RECENT DONOR FINDINGS AND ISSUES

3.1 Budgetary Support

The principal impact of program food aid throughout the 1980s has been on the macroeconomic level in the form of balance of payments and budgetary support to recipient governments (Australian Development Assistance Bureau 1984; Boucher and Dyck 1985; Bremer-Fox and Bailey 1989; Charlton 1987; EEC 1982; Hermann 1989; Mellor and Ezekiel 1987; World Food Programme 1983). This support derives from the freeing up of foreign exchange because program food aid reduces the recipient government's need to purchase imported commercial food and from the generation of local currencies as a result of the sales of program food aid in the local markets. Thus, donors have come to acknowledge that program food aid is a major resource transfer in terms of the food provided (or the foreign exchange freed) and represents an important opportunity to contribute to development objectives through the use of the budgetary resources accruing to the recipient government.

Budgetary support has become increasingly critical to recipient countries. Recipient governments trying to balance their budgets through spending cuts determined under the International Monetary Fund (IMF) and World Bank economic stabilization programs receive valuable contributions to their development budgets through the sale of program food aid commodities on their local markets. The currency thus generated is often used as counterpart funds to pay the cost of required host government contributions to donor development projects. A recent synthesis of A.I.D. evaluations of program food aid has questioned whether recipient governments would be able to pay their share of development costs without the financial resources generated from the sales of program food aid (Bremer-Fox and Bailey 1989).

A second reason why program food aid provides a welcome financial resource relates to the severe debtor situation of many recipient governments. The freeing of foreign exchange from its allocation to the purchase of commercial food imports provides balance of payments support, which, however small in relation to total debt, is nonetheless crucial. This is because for food deficit countries in severe economic situations, most notably in Sub-Saharan Africa, program food aid is replacing, at least in part, the purchase of imported commercial food (see Australian Development Assistance Bureau 1984; Boucher and Dyck 1985; Mellor and Ezekiel 1987; Singer, Wood, and Jennings 1987).

The benefit accorded to recipient governments from freed foreign exchange is still somewhat controversial with respect to the international agreement called the "Usual Marketing Requirements," or the UMR. According to this agreement, governments that receive program food aid are expected to maintain commercial food imports at their UMR-determined levels so that any food aid received is additional (see EEC 1982, Mellor and Ezekiel 1987 for

further explanation). The rationale is that program food aid should not hurt markets of other countries that depend on food exports. CIDA actually cancelled food aid to the Government of Tanzania in 1982-1983 because of UMR violations, but resumed this aid in 1983-1984 (Boucher and Dyck 1985). Senegal has partially violated UMR determinations by relying on food aid to fill import gaps rather than increase its commercial imports (Mellor and Ezekiel 1987). Although the informal consensus among donors is that governments in particularly severe economic situations should be exempt from strict adherence to the UMR determinations, this issue is still not fully resolved.

Although financial resources generated from program food aid offer crucial budgetary support, they will not necessarily result in favorable development impacts. Evaluation syntheses of the impact of various donors' program food aid in Sub-Saharan Africa (see Mellor and Ezekiel 1987) and of A.I.D.'s program food aid in Asia and the Near East (see Hermann 1989) note that the important question to ask is What does the recipient do with that freed foreign exchange? What alternative uses is it put to if not for balance of payments support?

Similarly, as in the case of freed foreign exchange, budgetary resources generated from the sale of program food aid in local markets can be spent on development programs. However, unless local currency generations are specifically programmed by recipient governments to support development planning, these financial resources will not contribute to development objectives in the food and agriculture sectors.

3.2 Production Disincentives and Food Aid Dependency

The consensus opinion found in recent major reviews of program food aid is that these programs, in most cases, do not create disincentives to domestic agricultural production for national consumption (see EEC 1982; Hermann 1989; Mellor and Ezekiel 1987; Singer, Wood, and Jennings 1987; Bremer-Fox and Bailey 1989; National Research Council 1989). This is because, in part, much of program food aid entering the market has served as a substitute for the usual commercial food imports. Specifically, food aid dependency may be linked to inadequate government attention to investment needs of the agricultural sector and a failure to adopt policies and programs conducive to agricultural development.

However, while program food aid has generally not been the cause of disincentives to production and food aid dependency, donor food aid that is provided without attention to the food and agriculture policy environment of the recipient government can and does perpetuate these problems -- problems that contribute to food insecurity. In these instances, program food aid allows recipient governments to refrain from taking action to correct the causes promoting food insecurity -- as concluded by both CIDA (Boucher and Dyck 1985) and the Australian Development Assistance

Bureau (1984) to have been the case in Tanzania. A.I.D. has recognized a similar effect as a result of program food aid provided to Egypt (Hermann 1989).

The timing of food aid deliveries can also adversely affect domestic producers. Food aid deliveries not made on agreed-upon dates have coincided with harvest seasons, resulting in excess supplies in particular areas and adverse price effects for domestic producers in those areas (Mellor and Ezekiel 1987). If the timing and quantity of food aid is programmed carefully, excess commodities can contribute to the creation of buffer stocks in basic grains to help prevent price gouging and price fluctuations in times of emergency food shortages (Tuinenburg 1988). This strategy falls under the rubric of measures to increase food security, a concept that is now actively promoted by the Food and Agriculture Organization's (FAO) Committee on Food Security and the World Food Council (Singer, Wood, and Jennings 1987).

3.3 Program Food Aid and Its Impacts on Hunger

The primary rationale for all donor food aid programs is the alleviation of hunger. However, the evaluations and major reviews examined for this paper are united in concluding that the goal of hunger alleviation is not served through the mechanism of program food aid. As stated above, the major contribution of program food aid has been in the achievement of macroeconomic objectives such as foreign exchange savings and general budget support. Yet hunger has become a persistent and growing problem worldwide.

There is growing evidence from infant and child mortality data that suggests the standard of living of many of the poorest may decline significantly during periods of structural adjustment (Deardon and Ackroyd 1989). Factors thought to contribute to the decline are falling real wages and employment, cuts in consumer food subsidies, and decreased spending for health and education. These changes have led to increases in the current incidence of hunger in Latin American and African nations, and have led to calls for special food aid programs to protect vulnerable groups in countries undergoing structural adjustment programs (Sukin 1988; Shaw and Singer 1988). In response, donors have been critically examining how program food aid can be used to address this problem.

There are specific reasons why program food aid has not yet resulted in a decrease in the incidence of either short- or long-term hunger. The majority of all program food aid commodities are sold on local markets and are not provided to hungry people in the form of contributions, as is the case with feeding programs common to project food aid and emergency food aid. This fact, coupled with an increasing inability of the poorest to purchase sufficient amounts of food for family consumption, has made program food aid an ineffective tool for alleviating hunger among the poor.

In its 1987 evaluation of food aid to Bangladesh, CIDA concluded that if program food aid is to serve the objective of improving people's nutritional status, it would have to direct more of its grain commodities toward supporting hunger and nutrition programs than toward balance of payments support. A recent National Research Council (1989) meeting on food aid projections for the 1990s has also concluded that if program food aid is truly intended to eliminate hunger and malnutrition, it must not only provide adequate amounts of commodities to the market, but it must also reach beyond market exchanges through support of targeted nutrition programs. To prevent increases in the incidence of hunger arising from economic stabilization and structural adjustment programs, reviewers suggest that food aid programming to protect the most vulnerable be planned at the same time that reform programs are being developed (Jennings 1988; Shaw and Singer 1988; Sukin 1988).

A major evaluation of EEC food aid programs (EEC 1982) pointed out that an additional problem limiting the impact of food aid on hunger alleviation in Sub-Saharan Africa is the high cost of internal deliveries of food aid to local markets. Increased costs are due to lack of vehicle fleets, spare parts, all-weather roads, and appropriate storage, all of which further limit the ability of food aid commodities to reach the people most in need of the resources. Other evaluations have commented on the need to focus on improvements in internal food marketing and distribution systems as a means of improving the chances that food aid commodities will reach all regions of the country experiencing food-deficits (Hermann 1989; Owusu 1989; National Research Council 1989).

Program food aid's most direct contributions to hunger alleviation have been derived through recent trends in using the financial resources generated by the program to pay for improvements in the internal food delivery systems and for the actual costs of delivering and implementing food-for-work and supplementary feeding programs that fall under project food aid (Singer, Wood, and Jennings 1987). But to be effective, the use of local currency generations must be programmed with recipient country governments specifically for this purpose. Because program food aid provides considerable budgetary resources it may be better suited as a negotiation tool for addressing recipient government policies that promote food deficit situations contributing to hunger. This issue is discussed further under Sections 4.2 and 5.

4. PROGRAM FOOD AID AS A TOOL TO PROMOTE DEVELOPMENT IMPACTS

4.1 Donor Experience in Joint Programming of Local Currency Generations

Throughout the 1970s and 1980s, donors required the recipient

governments to use local currencies generated from program food aid sales for projects to promote agricultural and rural development. The rationale was that these requirements would improve the performance of the recipient country's agriculture sector, thus reducing the need for future food aid. The degree of joint programming of these funds varies, with A.I.D. tending to be the most prescriptive (Mellor and Ezekiel 1987). Even within A.I.D., local currency programming ranges from very little to specific targeting of budget line items in a recipient country's budget. Nevertheless, a clear trend in increased local currency programming has been established reflecting the growing donor perception of food aid as a critical development resource. Evaluations raise two major issues concerning increased programming. One issue is the controllability of expenditures of programmed local currency funds, and the second is the actual effectiveness of programming requirements in terms of meeting agricultural development objectives (EEC 1982; Charlton 1987; Hermann 1989; Mellor and Ezekiel 1987).

These questions of accountability and development impact have led to a donor trend of requiring that special accounts be established for the deposit of local currency generations. It was thought that these accounts would ensure adequate documentation and accountability of their use. Recent evaluations of EEC, A.I.D., and CIDA food aid programs indicate that where special accounts have been established, mutually agreed-upon expenditures have been made, and in general, useful development work was undertaken (Boucher and Dyck 1985; EEC 1982; Hermann 1989). However, the actual development impact from activities funded by special accounts remains a question.

A recent synthesis of A.I.D. program food aid evaluations in Asia and the Near East states that it is only possible to assert that the potential for positive development impacts is greater when funds are allocated to projects with projected higher rates of return than would have been achieved through the country's own programming of funds (Hermann 1989). In other words, joint programming of funds does not guarantee development impact. Furthermore, specific impact evaluations of projects funded with local currency have not been conducted to date.

New issues have arisen over the difficulties imposed on recipient government ministries to manage funds held in special accounts owned and managed by donor governments. Explicit programming and special accounts require detailed accounting of funds to verify compliance. Not all recipient governments have welcomed this trend as it constitutes further intrusion into national sovereignty and exacerbates the question of ownership of funds, particularly when program food aid is provided as a loan. On the donor side, increased programming and the use of special accounts has definitely increased the management burden (Bremer Fox and Bailey 1989). Donors who do not have in-country missions in the style of A.I.D. have even greater problems with verifying compliance (EEC 1982; Charlton 1987). One emerging means of addressing this problem has been the establishment of common donor funds with joint management. This trend is discussed in

Section 5.

4.2 Increasing the Policy Content of Food Aid Negotiations

Increasingly, major donors are using program food aid to promote policy reform in recipient countries. In part this trend reflects donor awareness that agricultural development projects alone are not sufficient to address the greater structural problems that underlie conditions of hunger and persistent food insecurity. This movement also parallels the major move toward policy-based lending that has occurred throughout the 1980s.

Program food aid negotiations now focus on changing policies thought to constrain agricultural production, promote inefficiencies in the marketing and distribution of agricultural products, and increase the incidence of hunger. These policies include agricultural pricing that are unfavorable to farmers, inefficient practices of agricultural marketing parastatals, import and export policies that serve to reduce investment in agricultural production, and lack of investments in agricultural research, education, and farm-to-market infrastructure. Donors are increasingly negotiating with recipient governments to use local currency generations to pay for the costs of implementing policy changes.

Evaluations show a mixed record of achievement in using program food aid to promote policy reform in the food and agriculture sectors (Australian Development Bureau 1984; Boucher and Dyck 1985; Bremer-Fox and Bailey 1989; Charlton 1987). However, it is difficult for any one donor to know the actual effectiveness of its program food aid negotiations on a recipient government's policies. The uncertainty is due to the perennial problem of attribution, particularly in countries undergoing major structural adjustment programs supported by the IMF and World Bank, which may have already required reforms to improve the performance of the agricultural sector. In these cases, donor negotiated agricultural reforms using the inducement of program food aid are actually an important source of support for these changes.

Policy negotiations based on program food aid resources have promoted some important agriculture sector reforms on their own. For example, the negotiation of self-help measures associated with A.I.D. program food aid has resulted in significant reforms in the Philippines, Bangladesh, and Pakistan (Hermann 1989). In Bangladesh, measures have been successful in expanding private sector participation in open market sales, stabilizing food prices at appropriate levels, and reforming the food rationing system. In the Philippines, progress was made in improving agriculture marketing systems through such actions as the elimination of the Government of the Philippines' monopoly on the importation of wheat, expansion of the private sector distribution of flour, and divestment from the Government of certain retail activities. In Pakistan, production incentives

for edible oils have been supported by Public Law (PL) 480 Title I self-help measures to increase consumer prices, slowing growth in oil imports and encouraging domestic production.

Several policy and regulatory features of all donor food aid programs impose conditions that decrease the effectiveness of this resource for development impact (Owusu 1989). For example, government regulations in the United States, Canada, and the EEC countries have required that the provision of program food aid commodities be limited to one-year-at-a-time agreements (Bremer Fox and Bailey 1989; Charlton 1987; EEC 1982). This requirement is because food aid programs arose from conditions of food surplus and agreements must be made in terms of the amount of food surplus in a given year. This ruling has been further buttressed by the fact that the provision of program food aid to any prospective government is based on the current state of political relations with that government. For this reason, donor country governments have been reluctant to increase food aid commitments beyond the term of one year at a time. Yet reforms often take several years to implement, and single-year commitments of food aid do not provide the security of support that governments need in order to undertake major changes.

A.I.D. has found that some of the existing regulations governing program food aid may actually be detrimental to the kinds of policy reform that the U.S. Government is trying to promote. Specifically, U.S. regulations concerning self-help measures associated with PL 480 Title I food aid programs require that any changes promoted be in addition to those that the government would have already undertaken without food aid. A.I.D. (1989) has argued that since many governments are already responding to tough conditionality through IMF and World Bank structural adjustment programs, undertaking further measures because of the provisions of Title I food agreements strains government capabilities and popular support, and thus may be unrealistic. It has recently been argued that a better measure of the effectiveness of program food aid is how well it contributes to an overall policy reform process under a collaborative effort among donors and the recipient country (Hermann 1989).

Evaluations conducted by CIDA and the Australian Development Assistance Bureau have concluded that these agencies' respective abilities to negotiate food and agriculture policy changes were limited by the small size of their donor programs and further compounded by the fact that they lack a significant in-country presence. They also found that a lack of donor coordination around issues of policy reform only served to dilute the actual effectiveness and sustainability of changes implemented by the host country (Australian Development Assistance Bureau 1984; Boucher and Dyck 1985; Charlton 1987; CIDA 1987).

Problems concerning the effectiveness of program food aid as a tool for policy reform have prompted recent reviews and changes in some of those regulations and the way in which program food aid is managed. For example, there has been a concerted move toward donor-coordinated policy reform negotiations supported

by multiyear agreements of program food aid commodities from individual donors. The EEC has made a commitment to multiannual programming in the context of policy dialogue with recipients and other aid agencies (Franco 1988). A.I.D. PL 480 Title II, Section 206, food aid can be programmed on a multiyear basis for the support of reforms.

CIDA has also moved to multiyear commitments to ensure that recipient countries will have a reliable and predictable food supply available during times of sensitive policy changes in those countries. CIDA also is assuming that by dealing with larger food aid flows from multiple donors over longer periods of time, recipients may be more open to suggestions on possible policy reforms (Charlton 1987). The effectiveness of these changes is discussed in the following section.

5. THE EFFECTIVENESS OF DONOR-COORDINATED PROGRAM FOOD AID AND COMMON DONOR FUNDS

Donor coordination around food aid programs has evolved as an answer to some of the problems engendered by individual donors trying on their own to affect policy changes in recipient government. In some countries donors have adopted a consortium approach to facilitate coordinated policy dialogue between donors and willing recipients. The primary goal of these actions is to promote food security through policy changes that act as inducements to domestic production and through reforms that increase both the efficiency and effectiveness of the marketing and distribution of both agricultural inputs and agricultural commodities. Major food aid donors, such as the United States and the EEC, and the central coordinating institutions of the Committee on Food Aid Policies and Programmes of the U.N. World Food Programme, are providing leadership to promote changes in this direction. The most obvious benefit of such an approach is united support from donor resources in implementing a set of related policy objectives toward the common goal of food security.

5.1 The Establishment of Common Donor Funds and Donor Coordination

Donor-coordinated programs have been implemented in a number of food-deficit Sub-Saharan African countries that have sought such assistance in changing their food and agriculture policies. Mali, Senegal, Madagascar, Kenya, and Mauritania are notable examples. A main feature of these attempts is the establishment of a donor common fund for pooling local currency generations from the sale of program food aid commodities provided by each donor. The benefit of these common funds is an increased pool of financial resources available for the costs of implementing negotiated policy reforms.

The World Food Programme, once associated solely with the provision of multilateral project and emergency food aid, has taken on a pivotal role in coordinating and mediating the management and use of these common funds on behalf of recipient governments and donors. It acts as the secretariat for the common funds, coordinates the supply of food aid, and monitors the funds established from food aid sales. Intensive coordination and dialogue between donors, and between donors and recipient governments, are organized around the common fund (Tuinenburg 1988). The advantages of this arrangement are further improvements in donor coordination, reduced administrative costs and management burden for all parties, an absence of political pressure on recipients from a range of donors, a potential to provide more coherent program assistance, and an ability to combine contributions from many countries and offer a broader choice of food commodities (World Food Programme 1983).

5.2 Lessons From Donor-Coordinated Efforts in Mauritania and Mali

Although donor-coordinated food aid programs are proving to be a highly promising means of achieving significant reforms, recent evaluations of programs in Mauritania and Mali demonstrate that the establishment of a common donor fund, and the presence of a mediating institution such as the World Food Programme, are necessary but not sufficient conditions. Mauritania's food aid program illustrates the case.

Mauritania has an absolute food gap: its needs are substantially greater than its ability to produce or import food. Furthermore, many of its people are economically marginalized and do not have the means to purchase food when food is available. Drought and unfavorable policies have played a major role in the decline of agricultural productivity. Specifically, market prices for cereals were often below world prices and below those needed to continue production (see Louis Berger International, Inc. 1989 for the full evaluation). Under a PL 480 Title II, Section 206 food aid program, A.I.D. began negotiating with the Government of the Islamic Republic of Mauritania about that Government's cereals policy in order to bring about reforms aimed at increasing agricultural productivity and deriving greater value from the food assistance beyond immediate local consumption. The A.I.D. program had mixed success since much of the time was spent on generating and managing local currency -- a focus that quickly overshadowed policy reform as the principal issue of the project.

In 1986, a Common Donor Fund was established by decree of the Presidency of the Republic. The major donors involved are the EEC, France, Germany, the World Food Programme, and the United States. Sponsored by the World Food Programme, it is modeled on similar plans established in Mali and Senegal. Contributions come from the sale of portions of food sold through the Government food aid parastatal, CSA, and are used for development actions conforming to food security and for the operating

costs of CSA. The decree gives donors the right to place four members on CSA's board of directors. All funds generated are placed in a common fund and released only with the signature of the Commissioner of CSA and donor representatives.

The 1989 Louis Berger International, Inc. evaluation criticized the fact that the expected benefits accruing from pooling resources are not stated in the plan and investment objectives are not defined. Rather, the fund plan only requires that activities funded be consistent with the Economic and Financial Reform Program and the promotion of a food security. Donors are placed in a passive role, reduced to approving and funding projects submitted to them by the Government. Government requests for funding were principally for operating costs of ongoing projects, which in effect, replaced Government spending with donor funds. The Common Donor Fund document favors project rather than program funding, thus diminishing the possibilities for negotiation over reforms of sectoral policies that impinge on food security. The project orientation of the Common Donor Fund is directly caused by the lack of an effective strategy.

Lacking a specified strategy and goal, the donor-coordinated program became overshadowed by the World Bank structural adjustment program. The focus of the fund became fixed on its managerial aspects and the use of counterpart funds for projects. The evaluators concluded that the fund "...is not an effective vehicle for policy dialogue, or the funding of development projects. The Fund is essentially a means, but has been perceived as a strategic end in and of itself (Louis Berger International, Inc. 1989, 13)."

To improve the situation, evaluators recommended setting an objective of developing a common donor-Government of Mauritania framework and strategy for coordinated management, analysis, and intervention in the Mauritanian cereals market in order to promote its growth, strength, and stability. They also point out the need for immediate and greater coordination between the World Bank and the Ministry of Economy and Finance on one hand, and CSA, donors, and the Ministry of Rural Development on the other.

Informally, Mauritanian donors have already agreed among themselves to move in this direction, and were drafting a strategy document at the time of the evaluation. The draft strategy proposes a focus on food policy and dialogue, and a concentration of efforts and resources on food security. The Common Donor Fund would be one of many tools available to implement a strategy with a program to support food security. Project funding would be reduced, and funds would be used in a programmatic sense to help ease the necessary policy changes this goal would require. In short, the Common Donor Fund would be a tool to support achievement of the overall goals of a common strategy, instead of a program or goal in and of itself.

Several government ministries were aware of the initiative and supported it. The United States, in its negotiations for a

new PL 480 Title II, Section 206 food aid program, is in a position to bolster the acceptance of a stronger donor group and a common strategy because the Government of Mauritania sees the PL 480 Title II, Section 206 program as a major source of support since the program features a multiyear agreement. Recent evaluations and reviews of program food aid have shown that multiyear agreements have been a key factor in fostering government confidence to undertake food- and agriculture-sector reforms (Bremer-Fox and Bailey 1989; Charlton 1987; Franco 1988).

The Mauritania example illustrates the need to establish strategies for the use of donor common funds in the context of a development goal. The future directions of this program look promising with respect to increasing the effective use of program food aid resources.

Evaluators of the Mauritania program and other similar programs in Sub-Saharan Africa identified another problem: the tendency of donors to focus on a single strategy -- commonly referred to as the "magic bullet approach" -- to solve complex hunger and food security problems. For example, donors have tended to rely on marketing liberalization reforms for improving the timely accessibility of grains, and price reforms as a mechanism for increasing agricultural production (Louis Berger International, Inc. 1989; Tuinenburg 1988; Wilcock, Roth, and Haykin 1987).

Tuinenburg, Senior Programme Adviser on Food Security for the World Food Programme, has recently noted (1988) the frequency of donor efforts to restructure grain markets through attention to reform of marketing agencies and to the issue of producer prices at the expense of attention to other important elements of the food system. He criticizes the lack of attention paid to, for example, agricultural inputs, credit, research and extension, climate, soil, labor, and stabilization of farmer income -- elements that influence food production. Clearly, there is a need for complementary development interventions to increase national food production and food security. The well-known donor-coordinated Cereals Market Restructuring project in Mali illustrates some of the problems in employing narrowly conceived strategies to address food security problems.

The Government of Mali established the Programme to Restructure the Cereals Market in 1981. Objectives included market liberalization, the restructuring of the parastatal marketing agency Malian Office for Agricultural Products (OPAM) as a means of eliminating financial losses, and producer price support as an incentive to increase local production through price stabilization (Tuinenburg 1988). The program designers assumed that with market liberalization and the removal of legal barriers to private trade, the private sector would take over much of the procurement and distribution of marketable surplus grains from Mali's agriculture marketing parastatal, and would be more efficient, reliable, and successful at the task (Wilcock, Roth, and Haykin 1987).

The less-than-satisfactory responses to this strategy promoted

a growing realization among USAID/Bamako and other members of the donor group that cereals market management in Mali is an extremely complex issue, and furthermore, that their strategies to achieve food security goals were not sufficient. Factors other than pricing policy were found to be more important in promoting crucially needed increases in cereals grain production, and market liberalization reforms were not sufficient as a mechanism to promote efficient low-cost grain procurement and distribution. The weaknesses of this first approach are being addressed in subsequent phases of the program.

5.3 Policy Choices for Achieving Food Security With the Help of Program Food Aid

A key issue inherent in intensified donor coordination is the differing opinion on what the focus of policy changes should be in order for recipient countries to reach the goal of food security. Not surprisingly, evaluations of food aid programs have revealed that unity of opinion is not automatically achieved with the establishment of donor coordination (Haykin 1987; Louis Berger International, Inc. 1989). For example, economic advisers to the Overseas Development Administration (ODA) have recommended that for most countries, it is more beneficial to stress a food security policy that sets producer prices nearer to world prices in order to encourage a level of domestic production closer to self-sufficiency (Dearden and Ackroyd 1989). However, the International Food Policy Research Institute argues that food production increases are not enough -- donors and food aid recipients must also address the issue of food affordability through the promotion of reforms in the rural and agricultural sectors to raise incomes (Mellor 1988). Program food aid could be used to finance development interventions that would yield income multipliers.

Other food policy specialists have asserted that food shortages are not the issue. In many cases, countries have sufficient food -- the issue is equitable distribution; therefore, donors should stress policy reforms that promote economic growth and equitable distribution of resources (see, for example, Reutlinger 1987). The National Research Council (1989) suggests that greater gains in achieving food security may be attained by focusing program food aid resources on major improvements in marketing and distribution. The Council's study predicts that hunger will once again become a problem in Asia. An unfavorable human-land ratio in Asia may work against continued improvements in agricultural productivity that the green revolution sustained during the 1970s and 1980s, while increased population and prosperity will increase demand. Concentrated improvements in marketing and distribution systems may be the best means of increasing access to food across regions and nations.

Another major issue concerns whether a food security goal is best pursued through strategies to promote food self-sufficiency or food self-reliance. Donors are moving toward promoting

strategies of food self-reliance (A.I.D. 1989; EEC 1982; Franco 1988; Owusu 1989; Shaw and Singer 1988). While food self-sufficiency is an often-expressed objective of governments that receive food aid, donors believe that absolute food self-sufficiency is not to the comparative advantage of many countries even though they may have a history of food shortages. For example, the United States believes that a country's economic status and progress are usually better served by exporting items for which it has a comparative advantage and importing those, including food, for which it does not. This strategy helps a country achieve self-reliance in food and other goods.

In contrast, the National Research Council study (1989) indicates that a free-market solution to reducing food deficits, focusing on the removal of subsidies and other restrictions to free trade, is likely to widen the food gap in developing countries. In the short run, the study indicates that the growth effect of free trade for developing countries would be lower than that with targeted transfers of funds, continuation of food aid, and the maintenance of trade barriers. Tuinenburg (1988) points out that if a country does not have enough international comparative advantages in terms of exports, it cannot exploit the potential of international comparative advantage on the import market. Furthermore, in those countries experiencing scarcity of foreign exchange, it would not be possible to rely on the purchase of food imports to fill food deficits. In these cases, an interim strategy of food self-sufficiency through protected national production may be justified.

The proceeds generated from the sales of food aid can be programmed to help implement either strategy. Differences of opinion on what those strategies should be can only be resolved with a joint and unbiased analyses of food policies, agriculture policies, and food security problems of each country experiencing food deficits.

6. CURRENT CHALLENGES TO ACHIEVING FOOD SECURITY

Clearly enormous change in donor understanding of the use of program food aid has taken place throughout the 1980s. A more sophisticated grasp of the issue has begun to evolve around the complexities underlying food insecurity situations and the means to address them. A major breakthrough has been achieved by focusing policy reform efforts on food security goals through the use of coordinated donor and recipient government strategies and the establishment of donor common funds. Yet the preceding sections make clear that controversies and crucial challenges remain around the questions of what policy changes to make, and what strategies to pursue toward achieving food security.

Another question donors face is whether to use program food aid as a tool to address more directly the immediate problems of hunger. However as currently constituted, program

food aid is better used as a long-term strategy for changing policies that underlie the actual incidence of hunger and food deficit scenarios. As one food aid specialist pointed out, the benefits of food aid are critically dependent on the national food policies of the recipient government (Sukin 1988). Following this line, it is incumbent upon donors to conduct a review of food policies in recipient countries. Without such a review, program food aid can buttress policies that have promoted the need for such assistance in the first place (Charlton 1987; EEC 1982; Franco 1988).

Major policy reviews can only be achieved with the expressed willingness of governments. Accordingly, CIDA and the EEC have formulated policies of working only with countries that display strong commitments to achieving food self-reliance, improving nutritional status, and decreasing poverty. This policy also reflects the fact that program food aid represents a scarce development resource that can be easily wasted. Donor statements are in agreement on the need for greater coordination of food aid with other resources to effectively address questions of economic development and national food security. But they also agree that such coordination can only take place in the context of national planning with recipient governments. Individual donor agencies are also recognizing the concurrent need to examine internal factors that can reduce the effectiveness of their food aid programs, such as government regulations and the lack of management coordination (Bremer-Fox and Bailey 1989, Owusu 1989).

While donors have struggled to formulate comprehensive food aid programs for critical policy changes in conjunction with host governments and other donors, a yet newer challenge is in supporting governments that have agreed to undergo major stabilization and structural adjustment programs. Donors have expressed intentions to extend the uses of program food aid to help prevent increases in the incidence of hunger that may arise during the implementation of structural adjustment programs (Franco 1988; Shaw and Singer 1988; Sukin 1988). Using program food aid to support the objectives of both structural adjustment and hunger prevention will entail increased coordination not only among donors and the recipient government, but also between donors and the IMF and the World Bank. This coordination may well be the major challenge to assisting nations in achieving their food security goals in the 1990s.

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